

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 OMB-01 COME-00 TRSE-00 EURE-00
SSO-00 NSCE-00 USIE-00 INRE-00 AID-05 CIAE-00 DODE-00
PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01
SP-02 SS-15 SAJ-01 AGRE-00 /067 W
-----091802Z 112694 /53

O 091718Z FEB 77 ZFF-6
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 0121
INFO AMEMBASSY BONN IMMEDIATE

C O N F I D E N T I A L LISBON 1108

BONN FOR SYVRUD

E.O. 11652: XGDS-4
TAGS: EAID, ECON, PINT, PO
SUBJ: FINANCIAL ASSISTANCE FOR PORTUGAL; PROPOSED
VISIT TO WASHINGTON OF PORTUGUESE FINANCE MINISTER

REF: LISBON 1069

1. MARIO SOARES CALLED ME IN TODAY, FEB 8, TO DISCUSS WITH HIM
AND FINANCE MINISTER PROPOSED LOAN PROGRAM AND GOP ECONOMIC
POLICY. HE SAID GOP HAD PREPARED A FULL "PACKAGE" OF TOUGH
ECONOMIC MEASURES THAT WOULD BE IMPLEMENTED DURING THE
INTERVAL BETWEEN HIS TWO TRIPS TO EEC COUNTRIES (REFTEL).
PACKAGE WOULD INCLUDE SUCH MEASURES AS DRAMATIC PRICE
INCREASES (BETWEEN 50 AND 70 PERCENT) ON BASIC FOODSTUFFS,
INCLUDING BREAD. IT WOULD ALSO INCLUDE DRASTIC MEASURES TO
DEAL WITH INTERVENED COMPANIES THAT WERE NO LONGER SELF-
SUSTAINING. SUCH MEASURES WERE BOUND TO PROVOKE
SOCIAL UNREST. THE COMMUNISTS WOULD CERTAINLY
MOBILIZE TO OPPOSE THEM, AND THE PSD WAS NOW AS ADAMANTLY
OPPOSED TO THE GOVERNMENT PROGRAM AS WERE THE COMMUNISTS.
SOARES SAID HE FOUND IT INEXPLICABLE, BUT THE FACT
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WAS THAT THE PSD IN THE ASSEMBLY WAS ADOPTING POSITIONS
AS RADICAL AS THE COMMUNISTS.

2. IN THE LIGHT OF THE PROBABLE OPPOSITION TO THE
MEASURES SOARES FELT IT ABSOLUTELY ESSENTIAL THAT THE
GOVERNMENT MOVE WITH FIRMNESS AND NOT VACILLATE ONCE THE
MEASURES ARE ANNOUNCED. FOR THIS REASON, HE FELT THAT

PRIOR CONSULTATION WITH THE US AND THE IMF WERE NECESSARY.
SUBJECT TO OUR CONCURRENCE, HE PROPOSED TO SEND FINANCE MINISTER
MEDINA CARREIRA TO WASHINGTON TO CONSULT WITH THE TREASURY
AND THE IMF. "D-DAY" FOR THE MEASURES WAS FEBRUARY 25.
MOST CONVENIENT DATES FOR MEDINA CARREIRA WOULD BE BETWEEN
FEB 16 AND 20. HE ASKED THAT WE LET HIM KNOW IF VISIT WAS
ACCEPTABLE AND WHEN MIGHT BE THE MOST CONVENIENT TIME FOR US.
CARLUCCI

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, MINISTERIAL VISITS, FINANCIAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON01108
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X4
Errors: N/A
Expiration:
Film Number: D770046-0736
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770259/aaaacabb.tel
Line Count: 70
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d9de18c9-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 LISBON 1069
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3367218
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL ASSISTANCE FOR PORTUGAL; PROPOSED VISIT TO WASHINGTON OF PORTUGUESE FINANCE MINISTER
TAGS: EAID, ECON, PINT, PO, (SOARES, MARIO ALBERTO), (CARREIRA, HENRIQUE MEDINA)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/d9de18c9-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009